



TAMPA BAY BANKRUPTCY CENTER, P.A.

PHONE: (813) 200-4133

TOLL FREE: (800) 965-5074

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How Bankruptcy Can Help Eliminate Tax Debts

Can tax debt be eliminated through bankruptcy? Most people would tell you, “No”. But that is not entirely true. The good news is that you can eliminate tax debts through bankruptcy, although not all of it. The question is which tax debts can bankruptcy eliminate and which bankruptcy cannot. To be able to distinguish which tax debts can be discharged through bankruptcy, you should consult a bankruptcy lawyer.

The fact is some tax debts can be discharged through Chapter 7 bankruptcy while others can be dealt with through Chapter 13 bankruptcy. The taxes that cannot be discharged through a Chapter 7 bankruptcy might be able to be paid off through a Chapter 13 bankruptcy without being penalized with interest payments.

There is a timing factor that determines the dischargeability of your tax debts. Generally, if you have been filing and paying your taxes honestly to the best of your capabilities through the years, then the tax debts that are longer than 3 years prior to the date of filing of bankruptcy can be discharged by the bankruptcy court. But your most recent taxes like you current year’s tax bill is unlikely to be discharged.

But the IRS will go through your old tax returns with very thoroughly. And if they do find any dishonesty or discrepancy in your tax submissions, the bankruptcy court will not allow you to discharge your old tax debts. How you treat your taxes during your bankruptcy process also plays a role. If you fail to file a tax return or file one late during the course of your bankruptcy, you risk having the court throw out your entire bankruptcy case. So if you do not want to see your bankruptcy case dismissed altogether, you should stay current with your tax filings.

If you are living under a heavy load of debt, whether they be tax debts or other debts, consider bankruptcy as a way out. Call us at (813) 200 4133 for a free consultation. Can tax debt be eliminated through bankruptcy? Most people would tell you, “No”. But that is not entirely true. The good news is that you can eliminate tax debts

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